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STATE FOR NEA/ELA
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TREASURY FOR MNUGENT AND SBLEIWEISS
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SUBJECT: LEBANON: INTELLECTUAL PROPERTY GROUP ASKS USTR TO UPGRADE
LEBANON TO WATCH LIST; SOCIAL UNREST ON THE RISE (ECONOMIC WEEK IN
REVIEW, APRIL 14 - 20, 2008)

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INTELLECTUAL PROPERTY GROUP RECOMMENDS
UPGRADE TO WATCH LIST

11. (U) The International Intellectual Property Alliance (IIPA) asked The United States Trade Representative (USTR) to upgrade Lebanon from the Priority Watch List to the Watch List. The IIPA attributed its recommendation to the fact that anti-piracy efforts by the Lebanese authorities have shown signs of success, while increased cooperation continues despite difficult political and security concerns. The IIPA represents more than 1,300 American companies that produce and distribute copyright-protected materials throughout the world. This request is part of IIPA's recommendations to the USG for the annual "Special 301" Review of copyright piracy and market access problems in 51 countries.

SOCIAL UNREST ON THE RISE

12. (U) The Federation of bakery syndicates threatened on April 16 to stop producing Arabic bread as of April 23 because of a shortage in the quantity of subsidized flour. The President of the Federation told moderate anti-Syrian An-Nahar that "no bakery will stop production before Economy and Trade Minister Haddad returns to Lebanon, and then we'll see." Haddad has repeatedly denied that there is a shortage of subsidized flour for the production of Arabic bread. (Note: Haddad, who attended the World Bank/IMF Spring meetings in Washington, D.C., is expected back in Beirut this week. End note.)

13. (U) The General Labor Confederation's (GLC) executive council has called for a syndicate gathering on April 23 to approve the action

plan leading to a strike on May 7. The council also has decided to hold a rally on May 1, Labor Day in Lebanon, on the theme: "May 1, 2008: Day for defending decent living," the GLC announced on April 16. The GLC insists that the GOL raise the minimum monthly salary from \$200 to \$640, and called on the GOL to adopt measures to help improve citizens' purchasing power. At the same time, presidents of economic organizations insist on having a rational dialogue with the GLC in order to reach an acceptable increase in the minimum wage while keeping inflation contained, they said following a meeting with PM Siniora and Finance Minister Azour on April 16.

CALLS TO LIFT CUSTOMS TAX ON BASIC FOOD

14. (U) President of the Syndicate of Agro-industries Arslan Sinno (also American Lebanese Chamber of Commerce VP) called on the GOL to remove the five percent customs tax on basic food products, particularly rice and sugar, in a note sent to the Prime Minister and to the Ministers of Economy and of Finance. This measure will reduce inflationary pressure without seriously affecting the Treasury, Sinno said, explaining that Lebanon has commercial agreements lifting tariffs over time with most of the exporting countries.

GOL ACCUSED OF FAVORITISM IN CONTRACT AWARD

15. (SBU) Alain Bifani, Director General of the Ministry of Finance, complained to us about the infrastructure work that is blocking traffic in main highways and major streets in Beirut. He said that PM Siniora awarded all these infrastructure contracts, which cover Dbayyeh, Dora, Rawcheh and Adlieh areas, to a company owned by Jihad Arab, who is close to Siniora and the Hariri family, which does not have the resources to complete all the work on time. This is why greater Beirut looks like a workshop under construction, making

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traffic very busy in peak hours. Bifani is currently on a three-month leave of absence, which he says is a prelude for resigning from the ministry.

GOL BLAMED FOR SLOW PROGRESS ON INDUSTRY PLAN

16. (SBU) Industrialists' Association General Manager Saad Oueini told us April 14 that there has been no progress in implementing the plan designed by late Industry Minister Pierre Gemayel to address problems facing industry and to develop the industry sector. The cabinet made a decision to adopt the "Industry for Lebanon's Youth 2010" plan after the assassination of Gemayel in December 2006. However, implementation of this plan requires cabinet decisions, Oueini said. He explained that the plan consists of three stages, of which the first stage is a 100-day emergency plan, and he pointed to GOL laxity in moving forward on the plan. He said about two years ago the cabinet passed legislation for the protection of local production, but the cabinet passed the implementation decree for this law only ten days ago. Oueini said the Association is working closely with the Acting Director General Georges Khoury at the Industry Ministry. The Association does not have a good working relationship with Minister of Economy and Trade Haddad, whom they perceive as too strongly opposed to government intervention in markets. The 10-year plan is available on the Ministry of Industry website: www.industry.gov.lb

KUWAITI INVESTMENTS IN LEBANON

17. (U) Kuwaiti investors continue to be interested in investing in Lebanon. Kuwait food retailer Sultan Center Food Products has just acquired two large supermarket chains in Lebanon, Monoprix and Geant, for \$97 million.

CBL FOREIGN CURRENCY ASSETS CONTINUE TO GROW

18. (U) The Central Bank of Lebanon (CBL) balance sheet for mid-April

showed that foreign currency assets rose by \$157.4 million, reaching \$13.549 billion, up from \$13.391 billion at the end of 2007. This increase is mainly attributed to the rise in the deposits of the financial sector due to capital inflows, and CBL intervention in the local market purchasing excess dollar supply.

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